
CEDAR FALLS COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INTERNAL CONTROLS AND COMPLIANCE

JUNE 30, 2011

 **CARNEY,
ALEXANDER,
MAROLD & Co., L.L.P.**
Certified Public Accountants

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Deon E. Senchina	President	2013
Joyce E. Coil	Vice President	2011
Richard Vande Kieft	Board Member	2011
James R. Kenyon	Board Member	2011
Duane L. Hamilton	Board Member	2011
Susan Lantz	Board Member	2013
Jim Brown	Board Member	2013
School Officials		
Dr. David Stoakes	Superintendent	2011
Doug Nefzger	District Secretary	2011
John Steen	District Treasurer	2011
John C. Larsen	Attorney	Indefinite

Cedar Falls Community School District

Independent Auditors' Report

To the Board of Education of the
Cedar Falls Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Cedar Falls Community School District, Cedar Falls, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Cedar Falls Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2012, on our consideration of Cedar Falls Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 39 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cedar Falls Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included on pages 42 through 51, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Carney, Alexander, Masold & Co., L.L.P.

January 24, 2012

**CEDAR FALLS COMMUNITY SCHOOL DISTRICT
CEDAR FALLS, IOWA**

**Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2011**

This section of the Cedar Falls Community School District's annual financial report presents the District's management discussion and analysis of the District's financial activities during the fiscal year ending June 30, 2011.

The intent of this discussion and analysis is to look at the Cedar Falls Community School District's financial performance as a whole with comparisons to the previous fiscal year activities. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for the 2010-11 fiscal year include the following:

In total, net assets increased by \$4,850,134 or 8.46% from fiscal 2009-10. Net assets in governmental activities increased \$4,821,756, which represented a 8.52% increase from fiscal year 2010. Increases in property tax receipts and State foundation aid made up the majority of the increase. Net assets in the business-type activity, which represents the District's food service operations, increased \$28,378, which represented a 3.81% increase from fiscal year 2010. Increases in lunch prices and Federal reimbursements are the primary reasons for the increase.

General Fund revenues (which include the Instructional Support fund) accounted for \$42,076,445 in revenue or 83.86% of all revenues. General Fund expenses (which include the Instructional Support fund) accounted for \$41,965,317 in expenditures or 67.23% of all expenses.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Cedar Falls Community School District as a financial whole, or as an entire operating entity.

The statement of net assets and statement of activities provides information about the activities of the whole District, presenting both an aggregate view of the District's finances and a long-term view of those finances. Fund financial statements report individual parts of District operations in more detail than District wide statements. For governmental funds these statements tell how educational and operational services were funded in the short term as well as what remains for future funding. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in a single column.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this report includes all the funds used by the District to provide programs and activities, the report strives to show how the District performed financially during the 2011 fiscal year. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. These bases of accounting take into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These statements report the District's net assets and changes in those net assets. This change in net assets is important because it identifies whether the financial picture of the District has improved or diminished for the District as whole. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include District property tax assessed valuation, facility needs, required educational programs, and other factors.

In the statement of net assets and statement of activities, the District is divided into three distinct kinds of activities:

Governmental Activities - Most of the District's programs and services are reported here, including instruction, co-curricular activities, support services (nursing, guidance, media, and administration), custodial, building operations and maintenance, and pupil transportation.

Business-Type Activity – This service is provided on a charge for goods or services basis to recover all of the expenses for good or services provided. These types of activities are also known as Enterprise funds. The Nutrition Fund is reported as a business activity.

Fiduciary/Trust Activity – The District is the trustee or fiduciary for assets that belong to others. The District is responsible for ensuring that the assets in these funds are used for their intended purpose. These assets are excluded from the government-wide financial statements because the District cannot use these assets to finance it operations. Private purpose trust and agency funds are reported here.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major fund(s). The District uses different funds in accordance with the Uniform Financial Accounting for Iowa LEA's, as required by the Iowa Department of Education, to record its financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds for fiscal 2011 are the General and Capital Projects funds.

Governmental Funds

Most of the District's transactions are reported in governmental funds, which focus on how monies flow into and out of these funds and the balances left at fiscal year end for spending in the future. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The difference between governmental activities reported in the statement of net assets and the statement of activities is reconciled in the financial statements.

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

The School District as a Whole

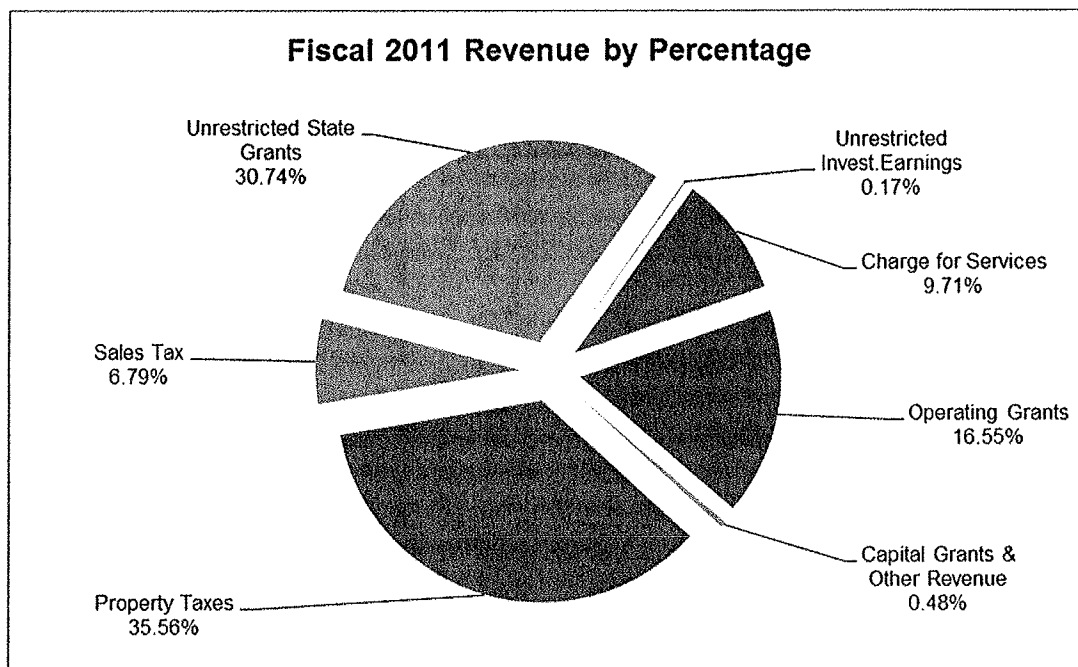
The following is a summary of the statement of net assets of the District as a whole. The Cedar Falls Community School District's net assets at the end of fiscal year 2011 totaled \$62,196,990, up 8.46% from the previous fiscal year.

Condensed Statement of Net Assets								
	Governmental Activities		Business-type Activities		Total		Percent Change	
	2010	2011	2010	2011	2010	2011		
Current & Other Assets	\$ 40,839,589	51,142,524	\$ 666,846	721,078	\$ 41,506,435	51,863,602	24.95%	
Capital Assets	51,491,839	57,734,385	179,467	135,517	51,671,306	57,869,902	12.00%	
Total Assets	92,331,428	108,876,909	846,313	856,595	93,177,741	109,733,504	17.77%	
Long-term Obligations:								
Due within one year	10,168,840	1,056,425	-	-	10,168,840	1,056,425	-89.61%	
Due after one year	761,520	20,180,728	-	-	761,520	20,180,728	2550.06%	
Other Liabilities	24,798,995	26,215,927	101,530	83,434	24,900,525	26,299,361	5.62%	
Total Liabilities	35,729,355	47,453,080	101,530	83,434	35,830,885	47,536,514	32.67%	
Net Assets								
Invested in Capital Assets -								
Net of Related Debt	41,511,839	37,438,435	179,467	135,517	41,691,306	37,573,952	-9.88%	
Restricted	5,934,700	6,436,109	-	-	5,934,700	6,436,109	8.45%	
Unrestricted	9,155,534	17,549,285	565,316	637,644	9,720,850	18,186,929	87.09%	
Total Net Assets	\$ 56,602,073	61,423,829	\$ 744,783	773,161	\$ 57,346,856	62,196,990	8.46%	

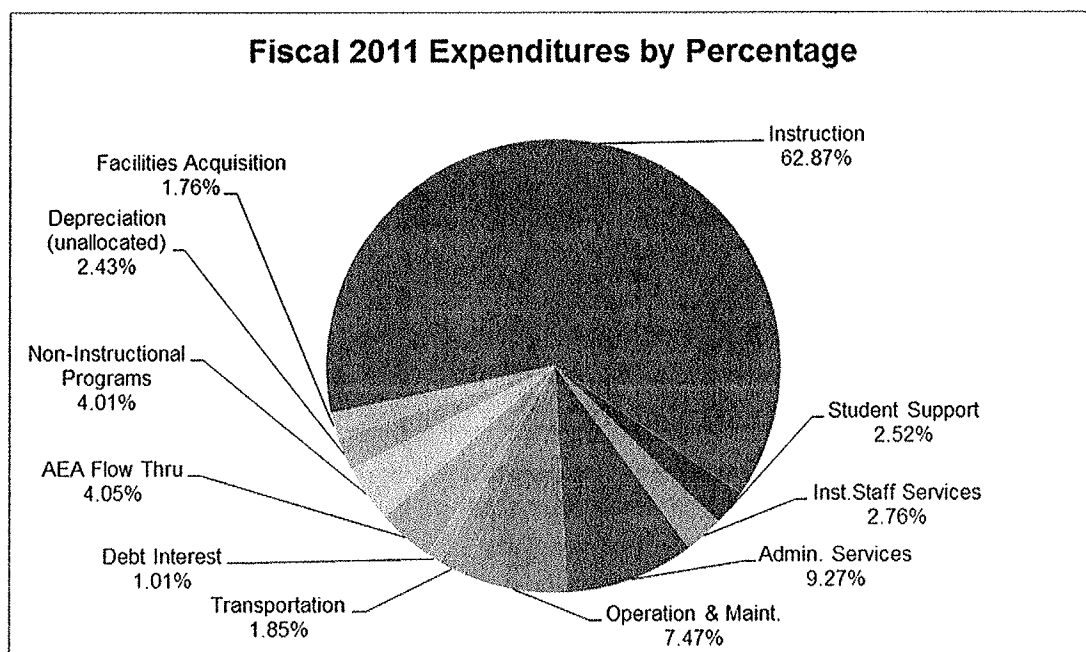
The following analysis shows the change in net assets for the year ending June 30, 2011:

	Change in Net Assets							
	Governmental		Business-type					
	Activities		Activities		Total		Percent	
	2010	2011	2010	2011	2010	2011	Change	
Revenue								
Program Revenue								
Charge for Services	\$ 3,741,351	3,836,402	\$ 1,394,648	1,320,200	\$ 5,135,999	5,156,602	0.40%	
Operating Grants	9,021,462	8,148,422	600,408	643,152	9,621,870	8,791,574	-8.63%	
Capital Grants	65,765	36,878	-	-	65,765	36,878	-43.92%	
General Revenue								
Property Taxes	17,804,500	18,885,142	-	-	17,804,500	18,885,142	6.07%	
Sales and Income Tax	4,514,284	3,607,002	-	-	4,514,284	3,607,002	-20.10%	
Unrestricted State Grants	13,369,578	16,323,230	-	-	13,369,578	16,323,230	22.09%	
Unrestricted Invest. Earnings	248,774	87,739	1,907	2,288	250,681	90,027	-64.09%	
Other Revenue	10,658	214,932	-	-	10,658	214,932	1916.63%	
Total Revenue	48,776,372	51,139,747	1,996,963	1,965,640	50,773,335	53,105,387	4.59%	
Program Expense								
Instruction	29,120,708	30,335,912	-	-	29,120,708	30,335,912	4.17%	
Student Support	1,171,805	1,215,980	-	-	1,171,805	1,215,980	3.77%	
Instructional Staff Services	1,327,160	1,333,187	-	-	1,327,160	1,333,187	0.45%	
Administration Services	4,480,688	4,474,264	-	-	4,480,688	4,474,264	-0.14%	
Operation & Maint. Services	3,756,075	3,602,287	-	-	3,756,075	3,602,287	-4.09%	
Transportation Services	1,016,497	893,375	-	-	1,016,497	893,375	-12.11%	
Long Term Debt Interest	295,928	488,600	-	-	295,928	488,600	65.11%	
Facilities Acquisition	753,866	851,334	-	-	753,866	851,334	12.93%	
AEA Flow Thru	1,875,964	1,952,999	-	-	1,875,964	1,952,999	4.11%	
Non-Instructional Programs	-	-	1,841,075	1,937,262	1,841,075	1,937,262	5.22%	
Depreciation (unallocated)	1,356,122	1,170,053	-	-	1,356,122	1,170,053	-13.72%	
Total Expenses	45,154,813	46,317,991	1,841,075	1,937,262	46,995,888	48,255,253	2.68%	
Increase (decrease) net assets	3,621,559	4,821,756	155,888	28,378	3,777,447	4,850,134	28.40%	
Net Assets Beginning of Year	52,980,514	56,602,073	588,895	744,783	53,569,409	57,346,856	7.05%	
Net Assets End of Year	\$ 56,602,073	61,423,829	\$ 744,783	773,161	\$ 57,346,856	62,196,990	8.46%	

The following chart indicates total fiscal 2011 District revenue by percentage:



The following chart indicates total fiscal 2011 District expenses by percentage:



Financial Analysis of the District's Funds

The Cedar Falls Community School District uses fund accounting on the modified accrual basis to ensure and demonstrate compliance with finance-related legal requirements.

The District governmental funds reported combined fund balances of \$24,242,760. This is an \$8,264,050 increase from the 2010 fiscal year end balance of \$15,978,710. The sale of \$20,500,000 in revenue bonds to finance upcoming school remodeling projects and refinance existing debt in the Capital Projects fund contributed to the overall increase in fund balance for the year.

The District's General Fund (including the Instructional Support Fund) end of year fund balance increased \$126,060 to \$4,207,686 from the 2010 fiscal year end balance of \$4,081,026. The increase in fund balance is due to an increase in State of Iowa foundation school aid.

Budgeting Highlights

The District's Board of Education annually adopts a budget as required by Iowa law. Proper public notice and a required public hearing are held before final approval of the budget. The State of Iowa requires approval of the budget on or before April 15th of each year. The budget documents present functional disbursements by fund and the legal level of control is at the expense level by total Instruction, total Support Services, total Non-Instructional Programs, total Other Expenditures and Total Expenditures. The District amends the budget, as allowed by Iowa law, to reflect the additional revenues and expenditures that may occur during the school year. The District amended its budget for fiscal 2011 to allow for unanticipated increases in expenses due to participation in the state wide voluntary pre-school program for four-year-old children and receipt of Federal American Recovery and Reinvestment Act Education Jobs Fund dollars.

The following chart shows the original and amended budget for fiscal 2011 as well as the actual revenue and expenditures for the year:

Budgetary Comparison Schedule				
	Original Budget	Final Amended	Actual	Variance
Revenue				
Local Sources	\$ 27,628,253	\$ 27,628,253	\$ 27,739,345	\$ 111,092
Intermediate Sources	-	-	-	-
State Sources	23,215,569	23,215,569	21,465,880	(1,749,689)
Federal Sources	2,340,042	2,340,042	2,929,292	589,250
Total Budget Revenue	\$ 53,183,864	\$ 53,183,864	\$ 52,134,517	\$ (1,049,347)
Expenditures				
Instruction	\$ 30,735,073	\$ 31,952,119	\$ 30,141,537	\$ (1,810,582)
Support Services	12,327,672	12,327,672	11,726,124	(601,548)
Non-Instructional	1,969,922	1,969,922	1,937,262	(32,660)
Other Expenditures	27,770,018	27,770,018	20,527,566	(7,242,452)
Total Budget Expenses	\$ 72,802,685	\$ 74,019,731	\$ 64,332,489	\$ (9,687,242)

Capital Assets and Debt Administration

Capital Assets

At the end of the 2011 fiscal year, the District had invested \$57,869,902 (net of accumulated depreciation) in a broad range of capital assets, including land, buildings, vehicles, technology (including computer equipment), media/audio visual equipment, and classroom equipment. The District had depreciation expense of \$1,617,860 for fiscal 2011 and total accumulated depreciation of \$24,055,056 as of June 30, 2011. The following chart shows the comparison in capital assets for 2010 and 2011.

	Capital Assets (net of depreciation)							
	Governmental Activities		Business-type Activities		Total		Percent Change	
	2010	2011	2010	2011	2010	2011		
Land	\$ 1,264,860	1,247,860	\$ -	-	\$ 1,264,860	1,247,860	-1.34%	
Construction in Progress	15,860,222	21,294,575	-	-	15,860,222	21,294,575	34.26%	
Land Improvements	3,136,771	3,169,966	-	-	3,136,771	3,169,966	1.06%	
Buildings	48,419,524	50,605,609	-	-	48,419,524	50,605,609	4.51%	
Furniture & Equipment	7,943,367	4,909,980	978,165	696,968	8,921,532	5,606,948	-37.15%	
Intangibles	146,477	-	-	-	146,477	-	-100.00%	
Total	\$ 76,771,221	81,227,990	\$ 978,165	696,968	\$ 77,749,386	81,924,958	5.37%	

More detailed information about capital assets is available in the Notes to Financial Statements, item 4.

Debt

As of June 30, 2011, the District has \$21,237,153 in outstanding long-term debt, \$1,056,425 of which is due in fiscal 2012, compared to \$10,930,360 on June 30, 2010. The sale of \$20,500,000 of revenue bonds to finance upcoming school remodeling projects and refinance existing debt in the Capital Projects fund accounted for the increase. The following chart shows the debt comparison between 2010 and 2011.

	Long-term Debt Obligations			
	Balance		Balance	
	July 1, 2010	Additions	Reductions	June 30, 2011
Revenue Bonds				
Bonds Payable	-	20,500,000	-	20,500,000
Discount	-	(205,000)	950	(204,050)
Revenue Capital Loan Notes				
Sales Tax Revenue	10,000,000	-	10,000,000	-
Discount	(20,000)	-	20,000	-
Total Bonds/Capital Loan Notes	\$ 9,980,000	\$ 20,295,000	\$ 10,020,950	\$ 20,295,950
Other Liabilities				
Compensated Absences	111,950	130,557	111,950	130,557
Early Retirement	184,536	-	76,890	107,646
Net OPEB Liability	653,874	49,126	-	703,000
Total Other Liabilities	\$ 950,360	\$ 179,683	\$ 188,840	\$ 941,203
Total Long-term Debt	\$ 10,930,360	\$ 20,474,683	\$ 10,209,790	\$ 21,237,153

More detailed information about the District's long-term debt can be found in the Notes to Financial Statements, item 5.

Current Issues

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future.

- At the conclusion of the third longest legislative session in Iowa history, the Iowa Legislature and Governor agreed to maintain state foundation aid at the same amount per student for the 2011-12 school year (\$5,890 per student) with a commitment to fully fund the state's share of cost per student. During the 2010-11 school year state foundation aid was underfunded by approximately \$162 million dollars state wide. This resulted in a loss of \$1,876,074 in state foundation aid for the District.
- Also at the conclusion of the 2011 Legislative session, the Iowa Legislature and Governor agreed to a 2% increase in "allowable growth" funding for the 2012-13 school year, or \$118 per student.
- Other changes in funding that were approved by the Iowa Legislature and signed by the Governor:
 - Funding for the state wide voluntary pre-school program for four-year-old children was reduced from a weighting of 0.6 to 0.5 per student, or \$589 per student.
 - No instructional support state aid funding for fiscal years 2012 and 2013. This reduces funding for the District's instructional support levy by \$65,666 per year.
- Due to continued economic issues, the District received the following American Recovery and Reinvestment Act (ARRA) stimulus funding during the 2010-11 school year:

○ Replacement of Iowa state aid funding	\$ 440,778
○ Additional Title I reading/mathematics funding	\$ 153,043
- The District received \$885,245 in Education Jobs Bill funding, of which \$71,548 was expended during the 2011-12 school year. The balance of these funds, which were classified as deferred revenue, will be used to fund 16 teaching and 1.6 support positions during the 2011-12 school year. Because these dollars are a one-time source of funding, a reallocation of existing funding or reductions in expenditures will be necessary for 2012-13 school year.
- Certified enrollment, the student count that is used to determine state foundation aid for the District, for 2011-12 school year increased by 27.7 students from 2010-11. The number of open enrollment students from neighboring district's increased by 17.0 from 300.0 to 317.0. The number of open enrollment students attending neighboring district's decreased by 19.82 from 312.80 to 292.98. This includes 246.98 Cedar Falls school district resident students attending Malcolm Price Laboratory School on the University of Northern Iowa campus. The total increase in enrollment of 53.18 is contributed to more families moving into the Cedar Falls school district. Not counting the Price Laboratory School students, overall District enrollment has increased an average of 37.2 students per year for the last five years. The District expects open enrollment and resident enrollment to increase at a similar rate over the next five years.

- The District has experienced a cumulative increase in taxable assessed valuation of 23.79% in the last four years, including a 7.27% increase in 2011. Demand for homes and continued growth in new home construction, new industrial construction, the opening of the Cedar Falls North Industrial Park, expansion of retail shopping (Target department store, planned Scheels department store and planned Menards home center) along the Viking Road corridor and the Pinnacle Prairie planned retail center will increase the District's assessed valuation growth for the foreseeable future.
- Revenue received from the one-cent local option sales tax decreased by \$755,286 to \$3,734,539 for 2011. This decrease was anticipated. In 2008 the Iowa Legislature repealed the local option sales tax for schools and replaced it with the State Secure an Advanced Vision for Education (SAVE) fund state wide one-cent sales tax. As individual school local option sales tax levies expire (Black Hawk County schools original levy expired June 30, 2009), school districts will be automatically enrolled in the SAVE state wide one-cent sales tax for schools. Revenue is determined by dividing the total number of students in those counties included in the state wide sales tax by the total public student population. Actual revenue received was for fiscal 2011 was \$350,032 more than the original projection of \$3,384,507.
- In addition to entering the SAVE pool, legislation mandates that a revenue purpose statement be approved by the voters of a district if a district wishes to use 100% of the funds received from the SAVE state wide one-cent sales tax fund on school infrastructure needs. On February 1, 2011, citizens of the Cedar Falls Community School District approved the measure with an 88.8% affirmative vote.
- On February 1, 2011, citizens of the Cedar Falls Community School District voted to extend the District's Instructional Support levy through the 2021-22 school year. The measure was approved with an 86.8% affirmative vote. For the 2010-11 school year, the Instructional Support levy generated \$2,034,416 in local property tax dollars plus an additional \$65,666 in Instructional Support state aid funding for a total of \$2,100,082. These funds are used to support additional teachers and counselors, technology and technical support staff as well as individual building funds for supplies and equipment.
- Contractors were completing final touches on the renovations and additions to Holmes and Peet Junior High Schools. Funding for these projects comes from the issuance of \$10.0 million in Bond Anticipation notes and local option sales tax revenues on hand. Substantial completion for Holmes Junior High was accepted in November 2011 with substantial completion expected for Peet Junior High in the first quarter of 2012.
- Due to district wide increases in elementary enrollment, on September 12, 2011 the Board of Education entered into a lease with Kaio Church, 815 Orchard Hill Drive, Cedar Falls, Iowa to house the District's state wide voluntary pre-school program for four-year-old children. The lease is for three years with the option to cancel at the end of each school year.
- On September 12, 2011, the Board of Education approved the purchase of the property located at 2420 Hawthorne Dr., Cedar Falls, Iowa at a cost of \$144,000. This property is located next to Cedar Heights Elementary and will be used to expand the playground at the school.

- On September 12, 2011, the Board of Education approved the purchase of property located at 3803 and 3815 Rownd St., Cedar Falls, Iowa. Cost to purchase both properties was \$334,750. Properties were purchased to allow for the potential future expansion of Orchard Hill Elementary school.
- On October 31, 2011, the Board of Education approved a slight modification to the attendance boundary line and transfer agreement with Malcolm Price Laboratory School, which is located on the campus of the University of Northern Iowa.
- Implementation of the State of Iowa Health Kids Act and the USDA Healthy, Hunger-Free Kids act will significantly impact sales of specific A la Cart items that no longer meet the minimum nutritional requirements of the legislation. In addition, the USDA Healthy, Hunger-Free Kids act will require the District to provide larger serving sizes of approved fruits and vegetables. These requirements will result in less revenue from A la Cart sales and an overall increase in food costs for the nutrition fund.
- Due to continued increases in elementary school enrollment, on December 12, 2011 the Board of Education reviewed preliminary plans for the expansion of Southdale and Hansen elementary schools. Total costs for both projects are estimated to be \$21 million dollars. The District will need to issue approximately \$10 million in additional State Secure an Advanced Vision for Education (SAVE) revenue bonds in calendar 2012 in order to fund the project.
- As enrollment continues to increase, the District will need to address facility needs at the High School, North Cedar Elementary, Orchard Hill Elementary and construction of a new central kitchen facility. The District's Facilities Committee is working with the Administration to address both short and long term facility needs of the District, including long term financing of future projects.
- On December 12, 2011, Dr. David Stoakes, Superintendent of Schools, announced his retirement effective June 30, 2012.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. If you have any questions about this report, or need additional financial information, please contact Mr. Doug Nefzger, Director of Business Affairs/Board Secretary, Cedar Falls Community School District, 1002 West First St., Cedar Falls, Iowa 50613.

It is the policy of the Cedar Falls Community School District to not discriminate in its educational activities on the basis of race, color, creed, marital status, socio-economic status, national origin, religion, sexual orientation, gender identity or disability.

Basic Financial Statements

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:			
Other	\$ 29,336,649	\$ 636,844	\$ 29,973,493
Receivables:			
Property tax:			
Delinquent	123,222	-	123,222
Succeeding year	19,650,301	-	19,650,301
Accounts	789,784	24,974	814,758
Accrued interest:			
Other	8,010	194	8,204
Due from other governments	1,175,044	-	1,175,044
Due from other funds	15,688	-	15,688
Inventories	43,826	59,066	102,892
Capital assets, net of accumulated depreciation	57,734,385	135,517	57,869,902
Total assets	<u>108,876,909</u>	<u>856,595</u>	<u>109,733,504</u>
Liabilities			
Accounts payable	1,821,921	45,017	1,866,938
Salaries and benefits payable	4,593,470	38,417	4,631,887
Due to other governments	20,375	-	20,375
Accrued interest payable	129,860	-	129,860
Deferred revenue, succeeding year property tax	19,650,301	-	19,650,301
Long-term liabilities:			
Portion due within one year:			
Compensated absences	130,557	-	130,557
Early retirement	92,268	-	92,268
Revenue bonds	833,600	-	833,600
Portion due after one year:			
Early retirement	15,378	-	15,378
Revenue bonds	19,462,350	-	19,462,350
Net OPEB liability	703,000	-	703,000
Total liabilities	<u>47,453,080</u>	<u>83,434</u>	<u>47,536,514</u>
Net assets			
Invested in capital assets, net of related debt	37,438,435	135,517	37,573,952
Restricted for:			
Categorical funding	832,707	-	832,707
Management levy	984,918	-	984,918
Student activities	621,149	-	621,149
Other special revenue purposes	14,882	-	14,882
Physical plant and equipment levy	2,488,111	-	2,488,111
Permanent fund	1,494,342	-	1,494,342
Unrestricted	<u>17,549,285</u>	<u>637,644</u>	<u>18,186,929</u>
Total net assets	<u>\$ 61,423,829</u>	<u>\$ 773,161</u>	<u>\$ 62,196,990</u>

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities				
Instruction:				
Regular instruction	\$ 19,623,478	\$ 1,588,148	\$ 5,470,049	\$ -
Special instruction	6,563,079	974,323	494,764	-
Other instruction	4,149,355	921,350	178,745	-
	<u>30,335,912</u>	<u>3,483,821</u>	<u>6,143,558</u>	<u>-</u>
Support services:				
Student services	1,215,980	-	-	-
Instructional staff services	1,333,187	-	-	-
Administration services	4,474,264	92,298	-	-
Operation and maintenance of plant services	3,602,287	241,345	-	-
Transportation services	893,375	18,938	51,865	-
	<u>11,519,093</u>	<u>352,581</u>	<u>51,865</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	851,334	-	-	36,878
Long-term debt interest and other charges	488,600	-	-	-
AEA flowthrough	1,952,999	-	1,952,999	-
Depreciation (unallocated)	1,170,053	-	-	-
	<u>4,462,986</u>	<u>-</u>	<u>1,952,999</u>	<u>36,878</u>
Total governmental activities	<u>46,317,991</u>	<u>3,836,402</u>	<u>8,148,422</u>	<u>36,878</u>
Business Type Activities				
Non-instructional programs:				
School nutrition services	1,937,262	1,320,200	643,152	-
Total	<u>\$ 48,255,253</u>	<u>\$ 5,156,602</u>	<u>\$ 8,791,574</u>	<u>\$ 36,878</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Local option taxes, levied for capital outlay				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year, as restated				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$(12,565,281)	\$ -	\$(12,565,281)
(5,093,992)	-	(5,093,992)
(3,049,260)	-	(3,049,260)
<u>(20,708,533)</u>	<u>-</u>	<u>(20,708,533)</u>
(1,215,980)	-	(1,215,980)
(1,333,187)	-	(1,333,187)
(4,381,966)	-	(4,381,966)
(3,360,942)	-	(3,360,942)
(822,572)	-	(822,572)
<u>(11,114,647)</u>	<u>-</u>	<u>(11,114,647)</u>
(814,456)	-	(814,456)
(488,600)	-	(488,600)
-	-	-
<u>(1,170,053)</u>	<u>-</u>	<u>(1,170,053)</u>
<u>(2,473,109)</u>	<u>-</u>	<u>(2,473,109)</u>
<u>(34,296,289)</u>	<u>-</u>	<u>(34,296,289)</u>
-	26,090	26,090
<u>(34,296,289)</u>	<u>26,090</u>	<u>(34,270,199)</u>
18,885,142	-	18,885,142
3,607,002	-	3,607,002
16,323,230	-	16,323,230
87,739	2,288	90,027
214,932	-	214,932
<u>39,118,045</u>	<u>2,288</u>	<u>39,120,333</u>
4,821,756	28,378	4,850,134
<u>56,602,073</u>	<u>744,783</u>	<u>57,346,856</u>
<u>\$ 61,423,829</u>	<u>\$ 773,161</u>	<u>\$ 62,196,990</u>

Basic Financial Statements

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Balance Sheet Governmental Funds

June 30, 2011

Assets	General	Debt Service
Cash and pooled investments:		
Other	\$ 8,672,033	\$ -
Receivables:		
Property tax:		
Delinquent	102,326	-
Succeeding year	16,282,657	-
Accounts	789,621	-
Accrued interest - other	2,943	-
Due from other governments	579,168	-
Due from other funds	15,688	-
Inventories	43,826	-
	<u>\$ 26,488,262</u>	<u>\$ -</u>
 Total assets		
	<u>\$ 26,488,262</u>	<u>\$ -</u>
 Liabilities and Fund Balances		
 Liabilities:		
Accounts payable	\$ 570,377	\$ -
Salaries and benefits payable	4,593,470	-
Due to other governments	20,375	-
Deferred revenue:		
Succeeding year property tax	16,282,657	-
Other	813,697	-
Total liabilities	<u>22,280,576</u>	<u>-</u>
 Fund balances:		
Nonspendable	43,826	-
Restricted for:		
Categorical funding	832,707	-
Debt service	-	-
Management levy purposes	-	-
Student activities	-	-
Public purpose trust funds	-	-
School infrastructure	-	-
Physical plant and equipment	-	-
Unassigned	3,331,153	-
Total fund balances	<u>4,207,686</u>	<u>-</u>
 Total liabilities and fund balances	<u>\$ 26,488,262</u>	<u>\$ -</u>

See notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 17,527,092	\$ 3,137,524	\$ 29,336,649
16,091	4,805	123,222
2,716,337	651,307	19,650,301
-	163	789,784
4,266	801	8,010
595,876	-	1,175,044
-	-	15,688
-	-	43,826
<u>\$ 20,859,662</u>	<u>\$ 3,794,600</u>	<u>\$ 51,142,524</u>
\$ 1,223,542	\$ 28,002	\$ 1,821,921
-	-	4,593,470
-	-	20,375
-	-	-
2,716,337	651,307	19,650,301
-	-	813,697
<u>3,939,879</u>	<u>679,309</u>	<u>26,899,764</u>
-	1,494,342	1,538,168
-	-	832,707
-	-	-
-	984,918	984,918
-	621,149	621,149
-	14,882	14,882
14,431,672	-	14,431,672
2,488,111	-	2,488,111
-	-	3,331,153
<u>16,919,783</u>	<u>3,115,291</u>	<u>24,242,760</u>
<u>\$ 20,859,662</u>	<u>\$ 3,794,600</u>	<u>\$ 51,142,524</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds	\$24,242,760
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	57,734,385
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds	813,697
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(129,860)
Long-term liabilities, including notes payable, compensated absences and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(21,188,027)</u>
Net assets of governmental activities	<u><u>\$61,472,955</u></u>

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

Year ended June 30, 2011

	General	Debt Service
Revenues:		
Local sources:		
Local tax	\$ 15,579,384	\$ -
Tuition	2,308,568	-
Other	475,111	-
State sources	21,449,037	-
Federal sources	2,264,345	-
Total revenues	<u>42,076,445</u>	<u>-</u>
Expenditures:		
Current:		
Instruction:		
Regular instruction	19,217,410	-
Special instruction	6,558,307	-
Other instruction	3,252,348	-
	<u>29,028,065</u>	<u>-</u>
Support services:		
Student services	1,195,132	-
Instructional staff services	1,353,387	-
Administration services	4,356,898	-
Operation and maintenance of plant services	3,103,595	-
Transportation services	975,241	-
	<u>10,984,253</u>	<u>-</u>
Other expenditures:		
Facilities acquisition and construction	-	-
Long-term debt:		
Principal	-	10,000,000
Interest and other charges	-	265,450
AEA flowthrough	1,952,999	-
	<u>1,952,999</u>	<u>10,265,450</u>
Total expenditures	<u>41,965,317</u>	<u>10,265,450</u>
Excess (deficiency) of revenues over (under) expenditures	<u>111,128</u>	<u>(10,265,450)</u>
Other financing sources (uses):		
Revenue bonds issued	-	-
Revenue bonds issued discount	-	-
Proceeds from sale of real estate	14,932	-
Operating transfers in	-	10,265,450
Operating transfers out	-	-
Total other financing sources (uses)	<u>14,932</u>	<u>10,265,450</u>
Net change in fund balances	126,060	-
Fund balances beginning of year	<u>4,081,626</u>	<u>-</u>
Fund balances end of year	<u>\$ 4,207,686</u>	<u>\$ -</u>

See notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 6,181,153	\$ 731,607	\$ 22,492,144
-	-	2,308,568
123,166	1,023,201	1,621,478
1,319	441	21,450,797
36,878	-	2,301,223
<u>6,342,516</u>	<u>1,755,249</u>	<u>50,174,210</u>
125,400	137,721	19,480,531
-	-	6,558,307
-	875,216	4,127,564
<u>125,400</u>	<u>1,012,937</u>	<u>30,166,402</u>
-	20,848	1,215,980
-	-	1,353,387
64,081	74,200	4,495,179
131,034	317,539	3,552,168
75,116	59,053	1,109,410
<u>270,231</u>	<u>471,640</u>	<u>11,726,124</u>
8,215,722	-	8,215,722
-	-	10,000,000
93,395	-	358,845
-	-	1,952,999
<u>8,309,117</u>	<u>-</u>	<u>20,527,566</u>
<u>8,704,748</u>	<u>1,484,577</u>	<u>62,420,092</u>
<u>(2,362,232)</u>	<u>270,672</u>	<u>(12,245,882)</u>
20,500,000	-	20,500,000
(205,000)	-	(205,000)
200,000	-	214,932
-	22,195	10,287,645
<u>(10,265,450)</u>	<u>(22,195)</u>	<u>(10,287,645)</u>
<u>10,229,550</u>	<u>-</u>	<u>20,509,932</u>
7,867,318	270,672	8,264,050
9,052,465	2,844,619	15,978,710
<u>\$ 16,919,783</u>	<u>\$ 3,115,291</u>	<u>\$ 24,242,760</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year ended June 30, 2011

Net change in fund balances - total governmental funds		\$ 8,264,050
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation in the current year, as follows:		
Expenditures for capital assets	\$ 14,707,944	
Depreciation expense	<u>(1,862,209)</u>	12,845,735
Certain revenues received are not available to pay current period expenditures and, therefore, are deferred in the government funds.		750,605
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(10,528)
Proceeds from issuing long-term liabilities provides current financing resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.		
Proceeds	\$ (20,000,000)	
Discount	<u>205,000</u>	(19,795,000)
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:		
Repayments		10,000,000
Accretion of discount on long-term liabilities increases long-term liabilities on the Statement of Net Assets, and is included with interest on long-term debt on the Statement of Activities.		(20,000)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Compensated absences	\$ 15,691	
Early retirement	(184,536)	
Other postemployment benefits	<u>(328,874)</u>	(497,719)
An internal service fund is used by the District's management to charge the costs of insurance to individual funds. The net revenue of the internal service fund is included with the governmental activities.		<u>(9,455)</u>
Change in net assets of governmental activities		<u>\$ 11,527,688</u>

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets Proprietary Funds

June 30, 2011

	Enterprise Fund - School Nutrition
Assets	
Cash and cash equivalents	\$ 636,844
Accounts receivable	24,974
Accrued interest receivable	194
Due from other governments	-
Inventories	59,066
Capital assets, net of accumulated depreciation	<u>135,517</u>
Total assets	<u>856,595</u>
Liabilities	
Accounts payable	45,017
Salaries and benefits payable	<u>38,417</u>
Total liabilities	<u>83,434</u>
Net assets	
Invested in capital assets, net of related debt	135,517
Unrestricted	<u>637,644</u>
Total net assets	<u><u>\$ 773,161</u></u>

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

Year ended June 30, 2011

	Enterprise Fund - School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 1,295,597
Other	24,603
Total operating revenues	<u>1,320,200</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	605,036
Benefits	170,300
Purchased services	53,139
Supplies	1,082,836
Depreciation	25,951
Total operating expenses	<u>1,937,262</u>
Operating loss	<u>(617,062)</u>
Non-operating revenues:	
State sources	15,083
Federal sources	628,069
Interest on investments	2,288
Total non-operating revenues	<u>645,440</u>
Change in net assets	28,378
Net assets beginning of year	<u>744,783</u>
Net assets end of year	<u><u>\$ 773,161</u></u>

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows Proprietary Funds

Year ended June 30, 2011

	Enterprise Fund - School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 1,323,861
Cash received from assessments made to other funds	-
Cash payments to employees for services	(768,680)
Cash payments to suppliers for goods or services	(1,056,537)
Net cash used by operating activities	<u>(501,356)</u>
Cash flows from non-capital financing activities:	
State grants received	15,083
Federal grants received	507,698
Net cash provided by non-capital financing activities	<u>522,781</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(43,020)
Disposition of capital assets	61,019
Net cash used by capital and related financing activities	<u>17,999</u>
Cash flows from investing activities:	
Interest on investments	<u>2,268</u>
Net increase (decrease) in cash and cash equivalents	41,692
Cash and cash equivalents at beginning of year	<u>595,152</u>
Cash and cash equivalents at end of year	<u><u>\$ 636,844</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (617,062)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	104,748
Depreciation	25,951
Increase in receivables	3,661
Increase in inventories	(558)
Increase in accounts payable	(24,752)
Increase in salaries and benefits payable	6,656
Net cash used by operating activities	<u><u>\$ (501,356)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$120,371 of federal commodities.

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets Fiduciary Funds

June 30, 2011

	Private Purpose Trust - Scholarships	Agency Funds
Assets		
Cash and pooled investments	\$ 12,881	\$ -
Accrued interest receivable	3	-
Due from others	-	22,788
	<hr/>	<hr/>
Total assets	<u>\$ 12,884</u>	<u>\$ 22,788</u>
Liabilities		
Accounts payable	\$ -	\$ 520
Due to other funds	-	15,688
Due to others	-	6,580
	<hr/>	<hr/>
Total liabilities	<u>-</u>	<u>\$ 22,788</u>
Net assets		
Reserved for scholarships	<u>\$ 12,884</u>	

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trust - Scholarships
Additions:	
Local sources:	
Gifts and contributions	\$ 1,800
Interest income	1,341
Total additions	<u>3,141</u>
Deductions:	
Support services:	
Scholarships awarded	6,400
Funds to Foundation	46,640
Total deductions	<u>53,040</u>
Change in net assets	(49,899)
Net assets beginning of year	<u>62,783</u>
Net assets end of year	<u><u>\$ 12,884</u></u>

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

The Cedar Falls Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreation courses. The geographic area served includes the City of Cedar Falls, Iowa and the predominate agricultural territory in Black Hawk County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Cedar Falls Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Black Hawk County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction, or improvement of those assets.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies - (continued)

B. Basis of Presentation - (continued)

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for the governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise Fund - School Nutrition Fund is used to account for the food service operations of the District.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies - (continued)

B. Basis of Presentation - (continued)

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies - (continued)

C. Measurement Focus and Basis of Accounting - (continued)

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principals Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies - (continued)

D. Assets, Liabilities and Fund Equity - (continued)

By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, and intangibles are reported in the applicable governmental or business type activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 2,000
Buildings and improvements	2,000
Improvements other than buildings	2,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	2,000
Other furniture and equipment	2,000
Vehicles	2,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings and improvements	50 years
Improvements other than buildings	20 - 50 years
Intangibles	5 - 10 years
Furniture and equipment	5 - 20 years
Vehicles	5 years

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies - (continued)

D. Assets, Liabilities and Fund Equity - (continued)

Salaries and Benefits Payable - Payroll and expenditures for teachers, administrators and others with annual contracts corresponding to the current school year which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities - In the government-wide financial statement, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form, such as inventories, or legally or contractually required to be maintained intact, such as the corpus of a permanent fund.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies - (continued)

D. Assets, Liabilities and Fund Equity - (continued)

Assigned - Amounts that are constrained by the intent of the Board of Education, but are neither restricted nor committed.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted in any functional area and the District did not exceed its General Fund unspent authorized budget.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses, as appropriate during the reporting period. Actual results could differ from those estimates.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by Federal depository insurance or by the State Sinking Fund, in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. However, the Board policy is to only invest in obligations of the United States government, its agencies and public funds instrumentalities and certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(2) Cash and Pooled Investments - (continued)

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$9,073,517 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,264,860	\$ -	\$ 17,000	\$ 1,247,860
Construction in progress	15,860,222	5,846,410	412,057	21,294,575
Total capital assets not being depreciated	<u>17,125,082</u>	<u>5,846,410</u>	<u>429,057</u>	<u>22,542,435</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	48,419,524	2,869,685	683,600	50,605,609
Improvements other than buildings	3,136,771	48,395	15,200	3,169,966
Furniture and equipment	5,253,164	272,201	3,365,669	2,159,696
Vehicles	2,690,203	60,081	-	2,750,284
Intangibles	146,477	-	146,477	-
Total capital assets being depreciated/amortized	<u>59,646,139</u>	<u>3,250,362</u>	<u>4,210,946</u>	<u>58,685,555</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	17,469,225	1,147,786	577,588	18,039,423
Improvements other than buildings	1,814,862	134,596	11,597	1,937,861
Furniture and equipment	4,003,710	112,138	2,642,024	1,473,824
Vehicles	1,852,429	190,068	-	2,042,497
Intangibles	139,156	7,321	146,477	-
Total accumulated depreciation/amortization	<u>25,279,382</u>	<u>1,591,909</u>	<u>3,377,686</u>	<u>23,493,605</u>
Total capital assets being depreciated/amortized, net	<u>34,366,757</u>	<u>1,658,453</u>	<u>833,260</u>	<u>35,191,950</u>
Governmental activities capital assets, net	<u>\$ 51,491,839</u>	<u>\$ 7,504,863</u>	<u>\$ 1,262,317</u>	<u>\$ 57,734,385</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(3) Capital Assets - (continued)

Capital assets activity for the year ended June 30, 2011 is as follows - (continued):

	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Business type activities:				
Furniture, equipment, vehicles	\$ 978,165	\$ 43,020	\$ 324,217	\$ 696,968
Less accumulated depreciation	<u>798,698</u>	<u>25,951</u>	<u>263,198</u>	<u>561,451</u>
Business type activities capital assets, net	<u>\$ 179,467</u>	<u>\$ 17,069</u>	<u>\$ 61,019</u>	<u>\$ 135,517</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 198,989
Special	7,959
Other	31,838

Support services:

Support staff	-
Instructional staff	23,879
Administration	15,919
Operation and maintenance of plant	47,757
Transportation	95,515
	<u>421,856</u>
Unallocated depreciation/amortization	<u>1,170,053</u>

Total depreciation/amortization expense - governmental activities \$ 1,591,909

Business type activities:

School nutrition	<u>\$ 25,951</u>
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(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$1,807,692, \$1,724,618, and \$1,560,777, respectively, equal to required contributions for each year.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(5) Iowa School Cash Anticipation Program (ISCAP)

The District is eligible, but did not participate in the Iowa Schools Cash Anticipation Program (ISCAP) during the year ended June 30, 2011. ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co., N.A., is the trustee for the program.

(6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and education services provided through the area education agency. The District's actual amount for this purpose totaled \$1,952,999 for the year ended June 30, 2011, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Bonds payable	\$ -	\$ 20,500,000	\$ -	\$ 20,500,000	\$ 845,000
Discount	-	(205,000)	950	(204,050)	(11,400)
	-	20,295,000	950	20,295,950	833,600
Notes payable	10,000,000	-	10,000,000	-	-
Discount	(20,000)	-	20,000	-	-
	9,980,000	-	10,020,000	-	-
Compensated absences	111,950	130,557	111,950	130,557	130,557
Early retirement	184,536	-	76,890	107,646	92,268
Net OPEB liab.	653,874	49,126	-	703,000	-
Total	<u>\$ 10,930,360</u>	<u>\$ 20,474,683</u>	<u>\$ 10,209,790</u>	<u>\$ 21,237,153</u>	<u>\$ 1,056,425</u>

Revenue bonds:

The District has pledged future school infrastructure sales, services and use tax revenues to repay the \$20,500,000 of bonds issued June 1, 2011. The bonds were issued for the purpose of: (i) financing the completion of the construction, furnishing, and equipping of additions to the existing school buildings and related remodeling and improvements; (ii) currently refund the District's outstanding School Infrastructure Sales, Services and Use Tax Revenue Bond Anticipation Notes, Series 2008; (iii) fund a debt service reserve fund in approximate amount of \$1,720,000; and (iv) to pay the cost of issuance of the bonds. The notes are not a general obligation of the district, however, the debt is subject to the constitutional debt limitation of the District.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(7) Long-Term Liabilities - (continued)

Details of the District's June 30, 2011 School Infrastructure Sales, Services and Use Tax bonded indebtedness are as follows:

Year Ending June 30,	Bond Issued June 1, 2011			
	Interest Rate	Principal	Interest	Total
2012	3.000%	\$ 845,000	\$ 989,533	\$ 1,834,533
2013	3.000%	860,000	909,641	1,769,641
2014	3.000%	875,000	883,841	1,758,841
2015	3.000%	900,000	857,591	1,757,591
2016	3.000%	925,000	830,591	1,755,591
2017	4.500%	950,000	802,841	1,752,841
2018	4.500%	985,000	760,092	1,745,092
2019	4.500%	1,020,000	715,766	1,735,766
2020	4.500%	1,065,000	669,866	1,734,866
2021	4.500%	1,105,000	621,941	1,726,941
2022	4.750%	1,155,000	572,216	1,727,216
2023	5.000%	1,205,000	517,354	1,722,354
2024	5.125%	1,265,000	457,104	1,722,104
2025	5.125%	1,325,000	392,273	1,717,273
2026	5.375%	1,390,000	324,366	1,714,366
2027	5.375%	1,465,000	249,654	1,714,654
2028	5.480%	1,540,000	170,910	1,710,910
2029	5.480%	1,625,000	87,750	1,712,750
		<u>\$ 20,500,000</u>	<u>\$ 10,813,330</u>	<u>\$ 31,313,330</u>

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 520 active and 33 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through three fully-insured plans with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the district, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(8) Other Postemployment Benefits (OPEB) - (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 178,000
Interest on net OPEB obligation	29,000
Adjustment to annual required contribution	(24,874)
Annual OPEB cost	182,126
Contributions made	(133,000)
Increase in net OPEB obligation	49,126
Net OPEB obligation beginning of year	653,874
Net OPEB obligation end of year	<u>\$ 703,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition date as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$234,760, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 325,000	0.00%	\$ 325,000
June 30, 2010	328,874	0.00%	653,874
June 30, 2011	49,126	0.00%	703,000

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1.648 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.648 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$21,358,000, and the ratio of the UAAL to covered payroll was 7.72%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(8) Other Postemployment Benefits (OPEB) - (continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate assuming Cedar Falls Community School District will fund the retirement benefit on a pay-as-you-go basis. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan approximate \$770 per month for retirees under age 64. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Construction Commitment

The District has entered into contracts for various building improvement and roofing projects totaling \$23,996,919. As of June 30, 2011, costs of \$21,294,575 on these contracts had been incurred, \$20,197,205 had been paid, and \$1,097,370 was included in the accounts payable on the balance sheet. The balance of \$2,702,344 remaining at June 30, 2011 will be paid as work on the various projects progresses.

(10) Contingencies and Risk Management

At June 30, 2011, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, many of which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time. The District is also exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(11) Subsequent Events

Management has evaluated subsequent events through January 24, 2012, the date which the financial statements were available for issue.

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Statewide Sales, Services and Use Tax	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 5,962,384	\$ 3,090,081
Change in fund type classification per implementation of GASB Statement No. 54	<u>3,090,081</u>	<u>(3,090,081)</u>
Balances July 1, 2010, as restated	<u><u>\$ 9,052,465</u></u>	<u><u>\$ -</u></u>

Required Supplementary Information

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 26,422,190	\$ 1,322,488
Intermediate sources	-	-
State sources	21,450,797	15,083
Federal sources	2,301,223	628,069
Total receipts	<u>50,174,210</u>	<u>1,965,640</u>
Expenditures		
Instruction	30,166,402	-
Support services	11,726,124	-
Non-instructional programs	-	1,937,262
Other expenditures	20,527,566	-
Total disbursements	<u>62,420,092</u>	<u>1,937,262</u>
Excess (deficiency) of revenues over (under) expenditures	(12,245,882)	28,378
Other financing sources, net	<u>20,509,932</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	8,264,050	28,378
Balance beginning of year	<u>15,978,710</u>	<u>744,783</u>
Balance end of year	<u><u>\$ 24,242,760</u></u>	<u><u>\$ 773,161</u></u>

See accompanying independent auditors' report.

Budget Adjustments	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
		Original	Final	
\$ 5,333	\$ 27,739,345	\$ 27,628,253	\$ 27,628,253	\$ 111,092
-	-	-	-	-
-	21,465,880	23,215,569	23,215,569	(1,749,689)
-	2,929,292	2,340,042	2,340,042	589,250
<u>5,333</u>	<u>52,134,517</u>	<u>53,183,864</u>	<u>53,183,864</u>	<u>(1,049,347)</u>
24,865	30,141,537	30,735,073	\$ 31,952,119	1,810,582
-	11,726,124	12,327,672	12,327,672	601,548
-	1,937,262	1,969,922	1,969,922	32,660
-	20,527,566	27,770,018	27,770,018	7,242,452
<u>24,865</u>	<u>64,332,489</u>	<u>72,802,685</u>	<u>74,019,731</u>	<u>9,687,242</u>
(19,532)	(12,197,972)	(19,618,821)	(20,835,867)	8,637,895
-	20,509,932	17,544,000	17,544,000	2,965,932
(19,532)	8,311,960	(2,074,821)	(3,291,867)	11,603,827
<u>1,528,756</u>	<u>15,194,737</u>	<u>15,968,720</u>	<u>15,968,720</u>	<u>(773,983)</u>
<u>\$ 1,509,224</u>	<u>\$ 23,506,697</u>	<u>\$ 13,893,899</u>	<u>\$ 12,676,853</u>	<u>\$ 10,829,844</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with *Government Accounting Standards Board* Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,217,046.

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted in any functional area and the District did not exceed its General Fund unspent authorized budget.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan (in thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 2,941	\$ 2,941	0.00%	\$ 19,031	15.45%
2010	July 1, 2008	\$ -	\$ 2,941	\$ 2,941	0.00%	\$ 25,060	11.74%
2011	July 1, 2010	\$ -	\$ 1,648	\$ 1,648	0.00%	\$ 21,358	7.72%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See accompanying independent auditors' report.

Other Supplementary Information

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2011

Assets	Special Revenue		
	Management Levy	Student Activity	Public Purpose Trust Fund
Cash and pooled investments	\$ 979,941	\$ 626,604	\$ 14,878
Receivables:			
Property tax:			
Delinquent	4,805	-	-
Succeeding year	651,307	-	-
Accounts	-	163	-
Accrued interest	172	189	4
Due from other governments	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,636,225</u>	<u>\$ 626,956</u>	<u>\$ 14,882</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 5,807	\$ -
Salaries and benefits payable	-	-	-
Deferred revenue:			
Succeeding year property tax	651,307	-	-
Other	-	-	-
Total liabilities	<u>651,307</u>	<u>5,807</u>	<u>-</u>
Fund balances:			
Nonspendable	-	-	-
Restricted for:			
Management levy purposes	984,918	-	-
Student activities	-	621,149	-
Public purpose trust funds	-	-	14,882
Total fund balances	<u>984,918</u>	<u>621,149</u>	<u>14,882</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 1,636,225</u>	<u>\$ 626,956</u>	<u>\$ 14,882</u>

See accompanying independent auditors' report.

Total Special Revenue	Permanent Fund	Total
\$ 1,621,423	\$ 1,516,101	\$ 3,137,524
4,805	-	4,805
651,307	-	651,307
163	-	163
365	436	801
-	-	-
<u>\$ 2,278,063</u>	<u>\$ 1,516,537</u>	<u>\$ 3,794,600</u>
\$ 5,807	\$ 22,195	\$ 28,002
-	-	-
651,307	-	651,307
-	-	-
<u>657,114</u>	<u>22,195</u>	<u>679,309</u>
-	1,494,342	1,494,342
984,918	-	984,918
621,149	-	621,149
14,882	-	14,882
<u>1,620,949</u>	<u>1,494,342</u>	<u>3,115,291</u>
<u>\$ 2,278,063</u>	<u>\$ 1,516,537</u>	<u>\$ 3,794,600</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2011

		Special Revenue	
	Manage- ment Levy	Student Activity	Public Purpose Trust Fund
Revenues:			
Local sources:			
Local tax	\$ 731,607	\$ -	\$ -
Other	94,390	923,478	40
State sources	441	-	-
Federal sources	-	-	-
Total revenues	<u>826,438</u>	<u>923,478</u>	<u>40</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	112,856	-	24,865
Special instruction	-	-	-
Other instruction	-	875,216	-
Support services:			
Student services	20,848	-	-
Instructional staff services	-	-	-
Administration services	74,200	-	-
Operating and maintenance of plant services	317,539	-	-
Transportation services	59,053	-	-
Other expenditures:			
Facilities acquisition and construction	-	-	-
Total expenditures	<u>584,496</u>	<u>875,216</u>	<u>24,865</u>
Excess (deficiency) of revenues over (under) expenditures	<u>241,942</u>	<u>48,262</u>	<u>(24,825)</u>
Other financing sources (uses):			
Operating transfers in	-	-	22,195
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>22,195</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	241,942	48,262	(2,630)
Fund balances beginning of year	<u>742,976</u>	<u>572,887</u>	<u>17,512</u>
Fund balances end of year	<u>\$ 984,918</u>	<u>\$ 621,149</u>	<u>\$ 14,882</u>

See accompanying independent auditors' report.

Total Special Revenue Funds	Permanent Fund	Total
\$ 731,607	\$ -	\$ 731,607
1,017,908	5,293	1,023,201
441	-	441
-	-	-
<u>1,749,956</u>	<u>5,293</u>	<u>1,755,249</u>
137,721	-	137,721
-	-	-
875,216	-	875,216
20,848	-	20,848
-	-	-
74,200	-	74,200
317,539	-	317,539
59,053	-	59,053
-	-	-
<u>1,484,577</u>	<u>-</u>	<u>1,484,577</u>
<u>265,379</u>	<u>5,293</u>	<u>270,672</u>
22,195	-	22,195
-	(22,195)	(22,195)
<u>22,195</u>	<u>(22,195)</u>	<u>-</u>
287,574	(16,902)	270,672
<u>1,333,375</u>	<u>1,511,244</u>	<u>2,844,619</u>
<u>\$ 1,620,949</u>	<u>\$ 1,494,342</u>	<u>\$ 3,115,291</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet Capital Projects Accounts

June 30, 2011

Assets	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Cash and pooled investments	\$ 14,134,295	\$ 3,392,797	\$ 17,527,092
Receivables:			
Property tax:			
Delinquent	-	16,091	16,091
Succeeding year	-	2,716,337	2,716,337
Accounts	-	-	-
Accrued interest	3,339	927	4,266
Due from other governments	595,434	442	595,876
Total assets	<u>\$ 14,733,068</u>	<u>\$ 6,126,594</u>	<u>\$ 20,859,662</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 301,396	\$ 922,146	\$ 1,223,542
Salaries and benefits payable	-	-	-
Deferred revenue:			
Succeeding year property tax	-	2,716,337	2,716,337
Other	-	-	-
Total liabilities	<u>301,396</u>	<u>3,638,483</u>	<u>3,939,879</u>
Fund balances:			
Restricted for:			
Debt service	-	-	-
School infrastructure	14,431,672	-	14,431,672
Physical plant and equipment	-	2,488,111	2,488,111
Total fund balances	<u>14,431,672</u>	<u>2,488,111</u>	<u>16,919,783</u>
Total liabilities and fund balances	<u>\$ 14,733,068</u>	<u>\$ 6,126,594</u>	<u>\$ 20,859,662</u>

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances Capital Projects Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 3,607,002	\$ 2,574,151	\$ 6,181,153
Other	45,768	77,398	123,166
State sources	-	1,319	1,319
Federal sources	-	36,878	36,878
Total revenues	<u>3,652,770</u>	<u>2,689,746</u>	<u>6,342,516</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	-	125,400	125,400
Special instruction	-	-	-
Other instruction	-	-	-
Support services:			
Student services	-	-	-
Instructional staff services	-	-	-
Administration services	-	64,081	64,081
Operating and maintenance of plant services	-	131,034	131,034
Transportation services	-	75,116	75,116
Other expenditures:			
Facilities acquisition and construction	5,119,637	3,096,085	8,215,722
Long -term debt:			
Interest and other charges	93,395	-	93,395
Total expenditures	<u>5,213,032</u>	<u>3,491,716</u>	<u>8,704,748</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,560,262)</u>	<u>(801,970)</u>	<u>(2,362,232)</u>
Other financing sources (uses):			
Revenue bonds issued	20,500,000	-	20,500,000
Revenue bonds issued discount	(205,000)	-	(205,000)
Proceeds of sale of real estate	-	200,000	200,000
Operating transfers in	-	-	-
Operating transfers out	(10,265,450)	-	(10,265,450)
Total other financing sources (uses)	<u>10,029,550</u>	<u>200,000</u>	<u>10,229,550</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	8,469,288	(601,970)	7,867,318
Fund balances beginning of year	<u>5,962,384</u>	<u>3,090,081</u>	<u>9,052,465</u>
Fund balances end of year	<u>\$ 14,431,672</u>	<u>\$ 2,488,111</u>	<u>\$ 16,919,783</u>

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expen- ditures	Intra- Fund Transfers	Balance End of Year
Investment income	\$ 84,549	\$ 2,128	\$ -	\$ -	\$ 86,677
Miscellaneous	19,160	23,497	19,201	-	23,456
Drama arts	16,347	8,388	8,847	-	15,888
Speech	1,338	561	1,543	1,100	1,456
Recog.-music/speech	5,356	2,870	2,950	-	5,276
Yearbook	72,615	23,300	18,563	-	77,352
Music/vocal	6,009	75,150	77,679	247	3,727
Music/orchestra	2,900	3,976	3,872	-	3,004
Music/band	5,164	17,565	19,083	150	3,796
Athletics	16,164	146,800	92,351	(59,350)	11,263
Athletic resale	1,938	8,900	7,835	-	3,003
Track meets	6,301	8,388	10,960	4,000	7,729
Tennis	5,957	142	1,688	3,000	7,411
Golf	8,323	3,220	9,159	4,500	6,884
Cheerleaders	7,804	80,054	86,448	4,940	6,350
Pom poms	2,498	15,314	18,514	3,500	2,798
Basketball-boys	11,323	24,565	27,266	-	8,622
Football	8,232	59,206	56,182	8,000	19,256
Soccer-boys	3,048	5,630	11,962	6,500	3,216
Baseball	4,956	7,047	10,696	3,000	4,307
Track-boys	4,092	3,771	9,107	8,000	6,756
Swimming-boys	6,438	3,776	7,001	-	3,213
Wrestling	1,030	10,252	15,333	3,000	(1,051)
Basketball-girls	(2,529)	6,255	737	4,500	7,489
Volleyball	8,580	8,321	9,295	1,500	9,106
Soccer-girls	(1,043)	3,364	4,874	7,500	4,947
Softball	14,109	6,731	7,522	2,000	15,318
Track-girls	4,011	1,355	6,187	3,000	2,179
Swimming-girls	2,693	6,193	3,782	-	5,104
Concessions-Robinsen/Dresser	2,689	10,921	4,678	-	8,932
A.P.A.	(29,807)	1,296	19,303	-	(47,814)
Student Forum	75	-	-	-	75
A.V. Dept.	422	45	-	-	467
P.C.B.C.	59,737	5,500	-	(5,500)	59,737
Campus improvement	1,649	7,604	6,478	4,000	6,775
CFHS Memorial Fund	3,152	-	41	-	3,111
CHAT	100	-	-	-	100
Food Bank	1,199	5,256	6,972	2,000	1,483
DECA	(3,931)	14,457	11,375	-	(849)
Drug/alcohol prevention	448	-	-	-	448
English resource center	5,011	877	21,990	22,454	6,352
FBLA	53	-	-	-	53
Food service	81	81	25	-	137
General store	1,141	-	-	-	1,141
Activity tickets/Jr. high	586	-	-	-	586
Jr/Sr prom	(8,260)	10,090	8,311	(1,000)	(7,481)
Library	9,690	3,771	4,648	-	8,813
Mc Elroy Fund	2,006	50	332	-	1,724
Office education	(1,372)	-	-	-	(1,372)

(continued)

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expen- ditures	Intra- Fund Transfers	Balance End of Year
M.R.C.	185	629	838	-	(24)
Pop	14,082	6,499	4,692	-	15,889
AP textbooks	1,539	-	-	-	1,539
Programs	(2,713)	2,118	761	-	(1,356)
Revolving	9,368	53,708	35,141	(22,654)	5,281
Science club	149	-	-	-	149
Faculty	2,233	4,633	4,936	400	2,330
T & I Club	(78)	-	-	-	(78)
Tiger Hi-Line	3,194	2,888	-	-	6,082
Y.F.U.	2,614	-	-	-	2,614
Student forum	5,384	10,075	8,236	(1,100)	6,123
Renaissance	122	-	-	-	122
Class of 2003	1,874	2,600	3,219	-	1,255
Class of 2004	691	-	-	-	691
Cancer funds	1,604	6,529	6,527	-	1,606
Class of 2008	852	698	-	-	1,550
Special needs	590	491	388	-	693
Tiger bizness	100	6,374	6,269	-	205
PTA	813	-	-	-	813
Student council	25,594	33,010	36,433	-	22,171
Pictures	19,793	25,232	19,112	100	26,013
Lego League	5,076	7,275	2,940	-	9,411
Student activities	16,157	15,345	8,096	(6,640)	16,766
Special Olympics	1,202	221	154	-	1,269
Math club	430	-	-	-	430
Magazines	47,127	52,588	44,646	(647)	54,422
Student fundraisers club	2,006	-	-	-	2,006
Gym padlocks	2,696	442	-	-	3,138
Recycling	5,059	147	76	-	5,130
Alpha	1,326	3,051	3,105	-	1,272
Robotics	4,045	36,678	35,217	-	5,506
TJ-TR Account	335	-	30	-	305
SADD	1,931	2,035	697	-	3,269
Video yearbook	121	-	-	-	121
Weight room	3,885	-	-	-	3,885
Culture Fair	7	-	-	-	7
PLAAD	750	6,998	7,161	-	587
Drama clubs	7,974	9,931	9,104	-	8,801
Tech clubs	45	-	-	-	45
Choral/Dramatic	2,288	-	753	-	1,535
Echoes concessions	4,104	1,082	717	-	4,469
Amnesty International	-	100	-	-	100
PATT concessions	117	4,518	2,994	(500)	1,141
Brick Fundraiser	5,314	501	184	-	5,631
Art Club	416	415	-	-	831
Baseball Booster	454	-	-	-	454
	<u>\$ 572,887</u>	<u>\$ 923,478</u>	<u>\$ 875,216</u>	<u>\$ -</u>	<u>\$ 621,149</u>

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year ended June 30, 2011

Assets	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Cash and pooled investments	\$ 3,591	\$ 136,557	\$ 140,148	\$ -
Due from others	5,542	22,788	5,542	22,788
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 9,133</u>	<u>\$ 159,345</u>	<u>\$ 145,690</u>	<u>\$ 22,788</u>
Liabilities				
Accounts payable	\$ 7,214	\$ 520	\$ 7,214	\$ 520
Due to other funds	-	15,688	-	15,688
Due to others	1,919	153,803	149,142	6,580
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 9,133</u>	<u>\$ 170,011</u>	<u>\$ 156,356</u>	<u>\$ 22,788</u>

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds

For the Last Ten Years

	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 22,492,144	\$ 22,318,784	\$ 21,484,048	\$ 19,327,239
Tuition	2,308,568	2,153,596	1,963,269	2,138,692
Other	1,621,478	1,878,786	1,749,316	2,086,376
State sources	21,450,797	17,994,493	20,934,389	19,951,468
Federal sources	2,301,223	4,581,606	1,495,445	1,085,547
Total revenues	<u>\$ 50,174,210</u>	<u>\$ 48,927,265</u>	<u>\$ 47,626,467</u>	<u>\$ 44,589,322</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 19,480,531	\$ 18,736,430	\$ 17,780,433	\$ 16,609,178
Special instruction	6,558,307	6,247,935	5,673,623	5,495,881
Other instruction	4,127,564	3,743,650	4,117,251	3,508,710
Support services:				
Student services	1,215,980	1,169,510	1,144,030	1,088,585
Instructional staff services	1,353,387	1,333,883	1,300,243	1,212,844
Administration services	4,495,179	4,274,983	3,993,170	3,796,461
Operation and maintenance of plant services	3,552,168	3,708,966	3,360,535	3,327,109
Transportation services	1,109,410	1,469,613	1,363,560	983,877
Other expenditures:				
Facilities acquisition and construction	8,215,722	14,636,512	4,416,650	2,941,763
Long-term debt:				
Principal	10,000,000	-	-	5,000,000
Interest and other charges	358,845	265,400	132,700	175,400
AEA flowthrough	1,952,999	1,875,964	1,595,539	1,477,405
Total expenditures	<u>\$ 62,420,092</u>	<u>\$ 57,462,846</u>	<u>\$ 44,877,734</u>	<u>\$ 45,617,213</u>

See accompanying independent auditors' report.

Modified Accrual Basis

2007	2006	2005	2004	2003	2002
\$ 18,191,684	\$ 17,768,871	\$ 16,708,307	\$ 16,520,308	\$ 16,003,368	\$ 14,832,828
2,331,925	1,921,414	1,830,999	1,626,894	1,526,842	1,525,918
2,414,261	1,855,625	1,823,074	2,631,928	1,800,949	2,120,001
18,280,648	17,610,943	16,264,693	16,132,001	16,165,932	16,494,066
1,038,884	1,078,199	1,045,266	1,085,395	1,516,393	1,169,893
<u>\$ 42,257,402</u>	<u>\$ 40,235,052</u>	<u>\$ 37,672,339</u>	<u>\$ 37,996,526</u>	<u>\$ 37,013,484</u>	<u>\$ 36,142,706</u>
\$ 16,382,335	\$ 15,270,446	\$ 15,037,847	\$ 14,200,102	\$ 14,384,887	\$ 14,389,215
5,067,331	4,720,786	4,861,934	4,469,541	4,933,571	3,925,935
2,812,842	3,039,278	2,505,798	2,647,017	1,777,260	2,675,291
1,098,064	1,078,517	1,107,975	1,073,346	1,102,026	1,046,622
1,275,388	1,254,972	1,125,213	1,092,475	1,151,890	1,398,485
3,620,974	3,386,839	3,099,849	3,206,356	3,023,114	2,987,775
3,213,667	3,025,461	3,201,889	2,738,832	2,569,879	2,304,314
852,118	903,632	637,188	622,904	569,884	532,250
3,367,014	9,991,694	4,918,143	2,151,702	4,386,440	6,583,904
-	-	-	-	5,000,000	-
175,400	116,867	-	-	250,300	250,300
1,373,489	1,296,035	1,221,698	1,211,772	1,279,580	1,288,214
<u>\$ 39,238,622</u>	<u>\$ 44,084,527</u>	<u>\$ 37,717,534</u>	<u>\$ 33,414,047</u>	<u>\$ 40,428,831</u>	<u>\$ 37,382,305</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Direct:			
U.S. Department of Education:			
Carol M. White Physical Education Program (PEP)	84.215F	FY11	\$ 301,903
Total U.S. Department of Education			<u>301,903</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY11	<u>104,788</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY11	36,772
National School Lunch Program	10.555	FY11	470,925
			<u>507,697</u>
Total U.S. Department of Agriculture			<u>612,485</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Education Agencies	84.010	FY11	398,758
ARRA - Title I Grants to Local Education Agencies, Recovery Act	84.389	FY11	153,043
			<u>551,801</u>
Special Education - Grants to States (IDEA)	84.027	FY11	<u>463</u>
Vocational Education - Basic Grants to States	84.048A	FY11	<u>51,800</u>
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	FY11	<u>62,274</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186A	FY11	<u>5,846</u>
Improving Teacher Quality State Grants	84.367	FY11	<u>191,753</u>
Grants for State Assessments and Related Activities	84.369	FY11	<u>20,445</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY11	<u>232,975</u>
ARRA - State Fiscal Stabilization Government Services Fund, Recovery Act	84.397	FY11	<u>207,803</u>
Education Jobs Fund	84.410	FY11	<u>71,548</u>
Area Education Agency 267:			
Special Education - Grants to States (IDEA)	84.027	FY11	<u>229,010</u>
English Language Acquisition Grants	84.395	FY11	<u>1,209</u>
Total U.S. Department of Education			<u>1,626,927</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
(continued)			
Indirect (continued):			
U.S. Department of Health & Human Services:			
Tri-County Child & Family Development Council, Inc.:			
Head Start	93.600	FY11	174,226
Total U.S. Department of Health & Human Services			<u>174,226</u>
U.S. Department of Justice:			
City of Cedar Falls:			
Community Oriented Policing Service (COPS)	16.710	FY11	36,878
Total U.S. Department of Justice			<u>36,878</u>
Total Expenditures of Federal Awards			<u>\$ 2,752,419</u>

Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Cedar Falls Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Internal Controls and Compliance

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

To the Board of Education
Cedar Falls Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Cedar Falls Community School District, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cedar Falls Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cedar Falls Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cedar Falls Community School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cedar Falls Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Cedar Falls Community School District, and other parties to whom Cedar Falls Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Cedar Falls Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Carney, Alexander, Masold & Co., L.L.P.

January 24, 2012

Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each
Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education
Cedar Falls Community School District

Compliance

We have audited the compliance of Cedar Falls Community School District, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Cedar Falls Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Cedar Falls Community School District's management. Our responsibility is to express an opinion on Cedar Falls Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cedar Falls Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Cedar Falls Community School District's compliance with those requirements.

In our opinion, Cedar Falls Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Cedar Falls Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Cedar Falls Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cedar Falls Community School District's internal control over compliance.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Cedar Falls Community School District, and other parties to whom Cedar Falls Community School District may report, including federal award agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Carney, Alexander, Marold & Co., L.L.P.

January 24, 2012

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part I: Summary of the Independent Auditors' Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) The audit did not disclose any significant deficiencies in internal control over financial reporting.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) The audit did not disclose any significant deficiencies in internal control over major programs.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.215F Carol M. White Physical Education Program (PEP)
 - Clustered Programs:
 - CFDA Number 84.010 Title I Grants to Local Education Agencies
 - CFDA Number 84.389 ARRA - Title I Grants to Local Education Agencies,
Recovery Act
 - Clustered Programs:
 - CFDA Number 10.553 School Breakfast Program
 - CFDA Number 10.555 National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Cedar Falls Community School District did qualify as a low-risk auditee.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amounts budgeted.
- IV-B-11 Questionable Disbursements - We noted no disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-11 Business Transactions - We noted no business transactions between the District and District officials or employees.
- IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-11 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- IV-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.
- IV-H-11 Supplementary Weighting - We noted no variances regarding the supplementary weighting certified to the Iowa Department of Education.
- IV-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-11 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Audit Staff

This audit was performed by:

Dallas E. Voigts, CPA, Partner

Monica M. Haag, CPA, Manager

Janel Ruzicka

Jason Kofoed, CPA

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Cedar Falls Community Schools

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ADMINISTRATION

David W. Stoakes, Ed.D., *Superintendent*
Daniel E. Conrad, *Secondary Education*
Cindi F. McDonald, *Elementary Education*
Douglas J. Nefzger, *Business Affairs*
Adrian P. Talbot, Ed.D., S.P.H.R., *Personnel*

Educating each student to be a lifelong learner and a caring, responsible citizen

Summary Schedule of Prior Federal Audit Findings

Year ended June 30, 2011

Comment
Reference

Comment Title

Status

If not corrected, provide
planned corrective action
or other explanation

There were no prior federal audit findings in the report for the year ended June 30, 2010.

Cedar Falls Community Schools

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Corrective Action Plan for Federal Audit Findings

Year ended June 30, 2011

<u>Number</u>	<u>Comment Title</u>	<u>Corrective Action Plan</u>	<u>Contact Person Title Phone Number</u>	<u>Anticipated Date of Completion</u>
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There were no federal audit findings required to be reported in accordance with OMB Circular A-133 for the year ended June 30, 2011.